

# House Study Bill 229 - Introduced

HOUSE FILE \_\_\_\_\_  
BY (PROPOSED COMMITTEE ON  
WAYS AND MEANS BILL BY  
CHAIRPERSON SANDS)

## A BILL FOR

1 An Act relating to the state sales tax by exempting the sales  
2 price from the sale or furnishing of metered water to  
3 residential customers and creating related state and local  
4 residential metered water excise taxes.  
5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 423.3, Code 2015, is amended by adding  
2 the following new subsection:

3 NEW SUBSECTION. 101. The sales price from the sale or  
4 furnishing of metered water to residential customers for use at  
5 residential dwellings and units of apartment and condominium  
6 complexes used for human occupancy.

7 Sec. 2. NEW SECTION. 423G.1 **Short title.**

8 This chapter may be cited as the "*Residential Metered Water*  
9 *Tax Act*".

10 Sec. 3. NEW SECTION. 423G.2 **Definitions.**

11 All words and phrases used in this chapter and defined in  
12 section 423.1 have the same meaning given them by section 423.1  
13 for purposes of this chapter.

14 Sec. 4. NEW SECTION. 423G.3 **State-imposed residential**  
15 **metered water tax.**

16 1. A tax at the rate specified in subsection 2 is imposed on  
17 the sales price from the sale or furnishing of metered water  
18 to residential customers for use at residential dwellings and  
19 units of apartment and condominium complexes used for human  
20 occupancy.

21 2. *a.* If the date of the utility billing or meter reading  
22 cycle of the residential customer for the sale or furnishing  
23 of metered water is on or after July 1, 2015, but before July  
24 1, 2016, or if the sale or furnishing of the water and the  
25 delivery of the water occurs on or after July 1, 2015, but  
26 before July 1, 2016, the rate of tax is six percent.

27 *b.* If the date of the utility billing or meter reading  
28 cycle of the residential customer for the sale or furnishing  
29 of metered water is on or after July 1, 2016, but before July  
30 1, 2017, or if the sale or furnishing of the water and the  
31 delivery of the water occurs on or after July 1, 2016, but  
32 before July 1, 2017, the rate of tax is five percent.

33 *c.* If the date of the utility billing or meter reading  
34 cycle of the residential customer for the sale or furnishing  
35 of metered water is on or after July 1, 2017, but before July

1 1, 2018, or if the sale or furnishing of the water and the  
2 delivery of the water occurs on or after July 1, 2017, but  
3 before July 1, 2018, the rate of tax is four percent.

4 *d.* If the date of the utility billing or meter reading  
5 cycle of the residential customer for the sale or furnishing  
6 of metered water is on or after July 1, 2018, but before July  
7 1, 2019, or if the sale or furnishing of the water and the  
8 delivery of the water occurs on or after July 1, 2018, but  
9 before July 1, 2019, the rate of tax is three percent.

10 *e.* If the date of the utility billing or meter reading  
11 cycle of the residential customer for the sale or furnishing  
12 of metered water is on or after July 1, 2019, but before July  
13 1, 2020, or if the sale or furnishing of the water and the  
14 delivery of the water occurs on or after July 1, 2019, but  
15 before July 1, 2020, the rate of tax is two percent.

16 *f.* If the date of the utility billing or meter reading  
17 cycle of the residential customer for the sale or furnishing of  
18 metered water is on or after July 1, 2020, but before January  
19 1, 2021, or if the sale or furnishing of the water and the  
20 delivery of the water occurs on or after July 1, 2020, but  
21 before July 1, 2021, the rate of tax is one percent.

22 *g.* If the date of the utility billing or meter reading  
23 cycle of the residential customer for the sale or furnishing  
24 of metered water, or the date of the sale or furnishing of the  
25 water and the delivery of the water, is on or after July 1,  
26 2021, the rate of tax is zero percent.

27 3. This section is repealed June 30, 2021.

28 Sec. 5. NEW SECTION. **423G.4 Locally imposed residential**  
29 **metered water tax.**

30 1. *a.* A county that is not subject to subsection 2 may  
31 impose a local residential metered water tax at a rate of not  
32 more than one percent of the sales price from the sale or  
33 furnishing of metered water to residential customers for use at  
34 residential dwellings and units of apartment and condominium  
35 complexes used for human occupancy. The tax shall be imposed,

1 collected, and administered in the same manner as the local  
2 sales and services tax in chapter 423B and sections 423B.1 and  
3 423B.5 through 423B.10, consistent with the provisions of this  
4 chapter, shall apply with respect to the tax authorized under  
5 this subsection, in the same manner and with the same effect as  
6 if the local residential metered water tax was a local sales  
7 and services tax within the meaning of those statutes.

8     *b.* The question of the imposition of a local residential  
9 metered water tax may be submitted at the same election as the  
10 local option taxes authorized under chapter 423B and shall be  
11 stated on the ballot as questions to be voted on separately.

12     *c.* This subsection shall not be construed to require a  
13 county to impose a local residential metered water tax if the  
14 question of imposing a local sales and services tax is approved  
15 at election.

16     2. *a.* If a city or county has in effect a local sales  
17 and services tax under chapter 423B on the effective date of  
18 this Act, that city or county shall impose on and after the  
19 effective date of this Act a local residential metered water  
20 tax at the same rate as the local sales and services tax on  
21 the sales price from the sale or furnishing of metered water  
22 to residential customers for use at residential dwellings and  
23 units of apartment and condominium complexes used for human  
24 occupancy. The local residential metered water tax shall be  
25 imposed, collected, and administered in the same manner and  
26 with the same effect as the city's or county's local sales  
27 and services tax under chapter 423B and sections 423B.1 and  
28 423B.5 through 423B.10, consistent with the provisions of this  
29 chapter, shall apply with respect to the tax imposed under this  
30 subsection, in the same manner and with the same effect as if  
31 the local residential metered water tax was a local sales and  
32 services tax within the meaning of chapter 423B.

33     *b.* The city or county shall within sixty days of the  
34 effective date of this Act amend its local sales and services  
35 tax ordinance to reflect the imposition of the local

1 residential metered water tax under this subsection.

2     c. The city or county shall continue to collect the local  
3 residential metered water tax imposed under this subsection  
4 until such time as the local sales and services tax in effect  
5 on the effective date of this Act is repealed by the city or  
6 county.

7     Sec. 6. NEW SECTION.   **423G.5 Exemptions.**

8     The sales price from transactions exempt from state sales  
9 tax under section 423.3, except section 423.3, subsection 101,  
10 is also exempt from the tax imposed by this chapter.

11     Sec. 7. NEW SECTION.   **423G.6 Administration by director.**

12     1. The director of revenue shall administer the state and  
13 local residential metered water tax as nearly as possible in  
14 conjunction with the administration of the state sales and use  
15 tax law, except that portion of the law which implements the  
16 streamlined sales and use tax agreement. The director shall  
17 provide appropriate forms, or provide on the regular state tax  
18 forms, for reporting state and local residential metered water  
19 tax liability.

20     2. The director may require all persons who are engaged  
21 in the business of deriving any sales price or purchase  
22 price subject to tax under this chapter to register with  
23 the department. The director may also require a tax permit  
24 applicable only to this chapter for any retailer not  
25 collecting, or any user not paying, taxes under chapter 423.

26     3. Section 422.25, subsection 4, sections 422.30, 422.67,  
27 and 422.68, section 422.69, subsection 1, sections 422.70,  
28 422.71, 422.72, 422.74, and 422.75, section 423.14, subsection  
29 1, and sections 423.23, 423.24, 423.25, 423.31 through  
30 423.35, 423.37 through 423.42, and 423.47, consistent with  
31 the provisions of this chapter, shall apply with respect to  
32 the taxes authorized under this chapter, in the same manner  
33 and with the same effect as if the excise taxes on the sale  
34 or furnishing of metered water to residential customers were  
35 retail sales taxes within the meaning of those statutes.

1 Notwithstanding this subsection, the director shall provide  
2 for quarterly filing of returns and for other than quarterly  
3 filing of returns both as prescribed in section 423.31. All  
4 taxes collected under this chapter by a retailer or any user  
5 are deemed to be held in trust for the state of Iowa.

6      Sec. 8.    NEW SECTION.    423G.7    Deposit of revenues.

1. All moneys received and all refunds shall be deposited in  
or withdrawn from the general fund of the state.

9       2. The director, in consultation with local officials,  
10 shall collect and account for a local residential metered  
11 water tax and shall credit all revenues in the same manner  
12 as provided in section 423B.7. Local authorities shall not  
13 require any tax permit not required by the director of revenue.

14       3. Subsequent to the deposit in the general fund of the  
15 state, the department shall do the following in the order  
16 prescribed:

17     *a.* Transfer the revenues collected under section 423G.3 in  
18 the manner prescribed in section 423B.7.

19        *b.* (1) Transfer one-sixth of the remaining revenues to the  
20 secure an advanced vision for education fund created in section  
21 423F.2.

22 (2) This paragraph is repealed June 30, 2021.

23 EXPLANATION

24           The inclusion of this explanation does not constitute agreement with  
25           the explanation's substance by the members of the general assembly.

26 This bill relates to the sale of metered water to residential  
27 customers.

28 The bill exempts from the state sales tax the sales price  
29 from the sale or furnishing of metered water to residential  
30 customers for use at residential dwellings and units of  
31 apartment and condominium complexes used for human occupancy.  
32 By operation of Code section 423.6, an item exempt from the  
33 imposition of the sales tax is also exempt from the use tax  
34 imposed in Code section 423.5.

35 The bill creates a state excise tax on the sales price

1 from the sale or furnishing of metered water to residential  
2 customers for use at residential dwellings and units of  
3 apartment and condominium complexes used for human occupancy.  
4 The rate of the excise tax begins at 6 percent for fiscal year  
5 2015-2016, which is the same rate as the state sales tax, and  
6 is reduced one percentage point each fiscal year for the next  
7 five fiscal years until it is completely phased out beginning  
8 July 1, 2021.

9     The bill requires that one-sixth of the state residential  
10 metered water tax revenues collected each year be transferred  
11 to the secure an advanced vision for education fund created in  
12 Code section 423F.2.

13     The bill also creates a locally imposed residential metered  
14 water tax of up to 1 percent that may, at the option of a county  
15 that is not imposing a local sales and services tax on July 1,  
16 2015, be imposed, collected, and administered by the county in  
17 the same manner as the local sales and services tax in Code  
18 chapter 423B if approved at election. The bill incorporates  
19 by reference many of the provisions of Code chapter 423B.  
20 The bill allows an election for the imposition of a local  
21 residential metered water tax to occur at the same election  
22 as for a local option tax authorized under Code chapter 423B,  
23 but the ballot shall state the questions so as to be voted  
24 separately.

25     The bill provides that a city or county that has a local  
26 sales and services tax in effect on July 1, 2015, is required  
27 to impose a local residential metered water tax at the same  
28 rate and in the same manner as the city's or county's local  
29 sales and services tax. The city or county is required to  
30 amend its local sales and services tax ordinance within 60 days  
31 of the effective date of the bill to reflect the imposition of  
32 the local residential metered water tax. The city or county  
33 shall continue to collect the required local residential  
34 metered water tax until the city's or county's sales and  
35 services tax in effect on July 1, 2015, is repealed.

1     The director of revenue is required to administer the state  
2 and local residential metered water tax as nearly as possible  
3 in conjunction with the administration of the state sales  
4 and use tax law, and to that end the bill incorporates by  
5 reference numerous Code sections that relate to general tax  
6 administration and the sales and use tax laws.

7     Revenues collected from the local option residential metered  
8 water tax are credited to local governments in the same manner  
9 as local option taxes under Code chapter 423B.